

IN THE SPECIFICATION

Please amend the specification pursuant to 37 CFR 1.121(b)(1) as follows.

1. Please replace the second paragraph starting on page 17, line 20 of the originally filed specification with:

Figure 3[[B]] is a block diagram illustrating a complete transaction structure for whole company securitization of income derived from intellectual property in accordance with a preferred embodiment of the present invention. Figure 3[[B]] illustrates in further detail the structural relationship shown at closing in Fig. 2, where for simplicity the parent XYZ and the Operating Companies are shown in one block 100, and further illustrates the interconnection between different entities and the exchange mechanisms used in a preferred embodiment. In particular, agreements between various parties are indicated with dotted lines, while exchange of securities, cash and loan proceeds are shown in solid lines.

2. Please replace the third full paragraph starting on page 18, line 26 of the originally filed specification with:

It will be appreciated that the corporate restructuring illustrated in Figures 2 and 3 ~~Figs. A and B~~ preferably is used in the cases when intangible assets of the parent corporation are under-utilized by the parent company 100 for various reasons, including weak market conditions. As a result, typically parent company 100 is not profitable, or is losing money. In such cases, the loan agreement may stipulate that management of the Operating Companies should develop a strategy and restructuring plan satisfactory to Lender 220. The plan may detail the process through which the Company 100 intends to improve its balance sheet and turn the manufacturing operations profitable within a specific restructuring period.

3. Please replace the first paragraph starting on page 32, line 25 of the originally filed specification with:

Fig. 4 is an illustration of a main central processing unit for implementing computer processing in accordance with one embodiment of the present invention. In Fig. 4 computer system 218 includes a central processing unit ~~234~~ 250 having ~~disk~~ various disk drives. Typically, these may include a floppy disk drive 262. As illustrated, data bus 248 serves as the main information highway interconnecting the other components of the computer system. CPU 250 is the central processing unit of the system performing calculations and logic operations required to execute any programs. Read-only memory 252 and random access memory 254

constitute the main memory of the computer, and may be used to store simulation data. Disk controller 256 interfaces one or more disk drives to the system bus 248. These disk drives may be floppy disk drives such as 262, internal or external hard drives such as 260, or CD ROM or DVD drives such as 258. ~~A display~~ An interface 246 operates a display 240 and permits information from the bus 248 to be displayed. Communications with the external devices can occur on communications port 266. It will be appreciated that in a preferred embodiment the computer system 218 may have access to the Internet.

4. Please replace the third full paragraph starting on page 33, line 24 of the originally filed specification with:

Using the relevant cash flows, the system of this invention provides the means to create a portfolio of asset-backed securities. The asset-backed securities may be sold by one or more special purpose entities that will become the obligors of the securities. The operation of the system may preferably incorporate the services of a liquidity and credit enhancer 226 to improve the ratings of the portfolios, provide access to the commercial paper market, add extra funding flexibility and thereby reduce the overall cost of funds.

5. Please replace the fourth full paragraph starting on page 20, line 20 of the originally filed specification with:

In a preferred embodiment, the Credit Corporation may engage legal counsel for both Lender 220 and investor(s) 500, valuation companies, ratings agencies and industry experts on behalf of the XYZ company. The Credit Corporation may also engage (204) a Placement Agent 224 to attract potential investor(s) 500.

6. Please replace the first full paragraph starting on page 17, line 1 of the originally filed specification with:

From an economic viewpoint, an important issue to consider in the process of whole company securitization is the ratings analysis. It will be appreciated that individual items in the analysis can change, and therefore the following is merely an illustration of the general principles of the invention. First, in accordance with the invention it is preferable to have relatively a low Loan-to-Value ratio, in a specific embodiment under 40%. Second, it is also preferable to apply over-collateralization, which in a specific embodiment may require a 10% liquidity reserve. It will be appreciated that over-collateralization helps mitigate seasonality risks and enhances the Collateral IP. Third, in accordance with a preferred

embodiment a high debt service coverage ratio (gross margin divided by total debt service) should be used. Further, there is a low re-marketing risk because of the inherently high value of the collateral and the protection mechanisms implicit in the value ranges specified above. Also important is the use, in a preferred embodiment, of a qualified Back-Up Manager in a standby position. As noted, pursuant to the loan agreement the Lender preferably also may receive the right, in the event of a Manger Trigger Event or Manager Default, to sell (225) a Master License to a mass-market retailer 600 or another entity that is better capable than the Operating Companies 110 to perform under the prevailing economic conditions.

7. Please replace the first full paragraph starting on page 18, line 9 of the originally filed specification with:

At 200, 210 and 220 Fig. 3 illustrates three entities, designated Credit Corporation, Servicer and Lender, respectively. As shown, for the purposes of a restructuring transaction, in a specific embodiment a credit company 200 can form (202) a servicing corporation “Servicer” 210, that performs loan servicing (203) for a separate business entity, “Lender” 220, which in a specific embodiment is owned (201) by the Credit Corporation 200. Lender 220 preferably is a special-purpose, bankruptcy-remote subsidiary of the Credit Corporation 200. In a preferred embodiment, the valuation of the intangible assets of the parent company is done by or on behalf of the Credit Corporation 200.

8. Please replace the second full paragraph starting on page 18, line 17 of the originally filed specification with:

In accordance with the invention, subject to various conditions described in more detail below, the Lender 220 provides financing (221) (the “Loan”) to the Borrower 130, the net proceeds of which will be made available to the Operating Companies 100 (in consideration (222) of the sale or contribution of the Loan Collateral by XYZ to the Borrower). The Loan is generally made for the purpose of refinancing existing indebtedness and providing incremental working capital for the XYZ company and for other general corporate purposes of the Company. In a preferred embodiment, the funding of the Loan occurs simultaneously with the securitization of the Loan unless the Company requests and accepts a loan commitment from Lender prior to Securitization.

9. Please replace the second full paragraph starting on page 15, line 16 of the originally

filed specification with:

In accordance with the corporate re-structuring, Manager 120 will be required, in return for Administration Fees, to manage and exploit the IP on a best efforts basis. As explained in more detail with reference to Fig. 3, should the Manager not perform its duties as required, or if the Manager cannot maintain its status as a Qualified Manager, the Lender may have the right to terminate the Manager and install (223) a Back-up Manager. The Back-up Manager will, in return for a pre-determined fee, continue to administer the IP, while pursuing alternative forms of exploitation that will protect and enhance the cash flow of the Borrower. The options available (the Exploitation Rights) may include, without limitation, the negotiation of a Retail Put Contract (224), the identification of a replacement Qualified Manager and/or Qualified Master Licensee and ultimately, upon default, the immediate liquidation of the collateral.